



SF 344 – Apprenticeship Training Tax Credit (LSB1649SV)
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Fiscal Note Version – New

Description

Senate File 344 creates an Apprenticeship Training Tax Credit for wages paid by employers to apprentices in the construction trades that are training under a qualified apprenticeship program at an Iowa work site. The credit is equal to \$2 per qualified hour worked by the apprentice. The credit maximum for each apprentice position is \$2,000 in one tax year. The tax credit is not refundable or transferable and cannot be carried forward or back to any other tax year. This Bill applies to tax year 2016 and the credit is available for qualified wages paid to apprentices hired on or after July 1, 2015.

Assumptions

- The new tax credit applies to construction trade apprentice positions hired on or after July 1, 2015, and to wages paid to those qualified apprentices on or after January 1, 2016.
- For calendar year 2015, the number of new construction trade apprentice positions in Iowa is estimated to be 1,254, and half of that number is assumed to be hired on or after July 1, 2015 (627).
- The number of new construction trade apprenticeship positions is projected to increase 15.0% per year through 2020 and then remain at the 2020 level.
- The average apprenticeship is assumed to last 36 months.
- The maximum tax credit for a position is \$2,000 per year. To account for occasional vacancies, an average annual tax credit per position of \$1,900 per year is used for the estimate.
- The tax credit is not refundable or transferable and the credit cannot be carried forward to future years. Based on historical redemption patterns for similar tax credits, it is assumed that 56.0% of all earned tax credits will be redeemed and the remainder will expire unredeemed.
- A total of 20.0% of the annual tax credit amount will impact the General Fund in the first half of the calendar year earned (reduced estimate payments), and 80.0% will impact the General Fund in the second half of the calendar year, or during the spring tax return period.
- A total of 75.0% of the tax credit amount will impact individual income tax returns and 25.0% will impact corporate income tax returns. As a nonrefundable credit, the portion that decreases individual income tax will also decrease any applicable local option income surtax for schools. That surtax equals approximately 3.0% of State individual income tax liability statewide.

Fiscal Impact

The Apprenticeship Training Tax Credit created in this Bill is projected to reduce net General Fund revenue and the local option income surtax for schools by the amounts in the following table. The number of apprentice positions benefiting from the tax credit for all or a portion of the year is also provided.

Apprentice Training Tax Credit Estimated Fiscal Impact			
Dollars in Millions			
	Number of Apprentice Positions	State General Fund Revenue Reduction	School Surtax Reduction
FY 2016	2,069	\$ 0.3	\$ 0.0
FY 2017	3,727	1.8	0.0
FY 2018	5,006	3.5	0.1
FY 2019	5,756	5.5	0.1
FY 2020	6,619	6.3	0.1
FY 2021	7,234	7.2	0.2
FY 2022	7,563	7.8	0.2
FY 2023	7,563	8.0	0.2

The fiscal impact is expected to continue in future years at the FY 2023 level.

Sources

Iowa Department of Revenue
U.S. Department of Labor, Office of Apprenticeship
Iowa Office of Apprenticeship
Legislative Services Agency analysis

March 23, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
